

Norman Baker MP

Parliamentary Under Secretary of State
Department for Transport
Great Minister House
76 Marsham Street
LONDON SW1P 4DR

18 July 2011

Dear Mr Baker,

HEYSHAM TO M6 LINK

We are writing jointly to request the revocation of Supported Pool status to the Heysham-M6 Link (HM6L), which was confirmed in February 2011 following the submission by Lancashire County Council (LCC) of a Best and Final Bid (BAFB) in January 2011. We suggest the scheme would be more appropriately placed in the Development Pool of schemes.

The timing of this request arises out of the current application to the Infrastructure Planning Commission (IPC) by LCC, for the scheme to be treated as a Nationally Significant Infrastructure Project (NSIP). In particular, two significant changes to the information provided in the BAFB are now clear beyond doubt:

1. The revised scheme is subject to a new planning application, which is very different from what was said in the BAFB.
2. LCC actively misled DfT in the BAFB over purported savings made to the scheme by raising the level of Shefferlands roundabout and thereby eliminating off-site disposal of surplus spoil. The original Programme Entry cost of the scheme did not include the cost of exporting spoil off-site, and so this is a bogus saving.

These are discussed briefly below, and additional supporting information is appended.

1. Planning status

The BAFB stated (section 3.3) that the scheme required an amended application and orders for the eastern end of the scheme and motorway slip roads, and no call-in of the amended application was expected. All that was likely to be required was a rescheduling of the deferred Orders inquiry.

It is now beyond doubt that the scheme is subject to a new planning application, not least because this is what LCC has said in its Statement of Community Consultation for the IPC application:

“Changes to the scheme mean that a new planning application will need to be made to the Infrastructure Planning Commission (IPC)”

There is equally no doubt that this covers the full scheme, as this is what the IPC has stated (Notes of meeting 22 March 2011).

"It was specifically noted that the examination will consider the whole scheme as presented to the IPC and not just the amendments to the previously consented scheme."

It is therefore clear that DfT took the decision to include HM6L in the supported pool on the basis of incorrect information about the need for a new planning application. In our view, the need for a completely new planning application which has to consider the scheme in its entirety and not just the revisions, undermines the degree of certainty about the scheme which we would have thought essential to underpin Supported Pool status.

2. Raising Shefferlands roundabout

In BAFB documents it is stated that raising Shefferlands roundabout results in the *"elimination of the requirement for off-site disposal of 410,000m³ material"* (BAFB section 2.3), which largely accounts for savings of £7.32 million.

In the IPC consultation LCC has stated that *"Cost savings result from reducing the amount of excavation and the resulting transportation cost down the site"* (Shefferlands exhibition board). It was confirmed by LCC officers at the exhibitions that the previous scheme had a cut and fill balance with no off-site disposal, and the reduced amount of fill was accommodated by reducing the size of landscape mounding at the western end of the scheme. This reaffirms what was said in the Environmental Statement for the scheme which currently has planning permission

"The net outcome of the scheme is that there would be a significant excess amount of excavated material that would need to be moved within the site to obtain a cut fill balance ...with all the excavated material being reused to form embankments, retained embankments, landscape mounds, bunds, false cuttings and to mitigate against adverse effects by regrading." (ES 2005 8.2.12).

It is therefore very clear that LCC actively misled DfT in the BAFB over the need for off-site disposal of surplus excavated material. As a result the savings attributed to the change at Shefferlands roundabout have been seriously overstated. LCC has some explaining to do over why such a different story was being told both before and after the BAFB, from what is in the BAFB. Transport Solutions for Lancaster and Morecambe (TSLM) spotted the anomaly in relation to the ES almost immediately when the BAFB was belatedly made public on 31 January, discussed it with DfT (Charlie Sunderland) and at his suggestion wrote to LCC requesting clarification, all within the space of four hours. LCC did not respond to this request, but has now confirmed that TSLM was right all along.

The erroneous claim that raising the road at Shefferlands eliminated off-site disposal, means that the £7.32 million savings claimed for this change are overstated by around £5 million. This figure, and the fact that the cost at Programme Entry did not include disposal of any material off-site, were verified on receipt of detailed costing information on 16 February 2011 (after the Supported Pool status was confirmed): see supporting information for details. Either LCC will have to fund this amount to cover the non-existent saving, which still increases public spending one way or another: or LCC may pull out of the scheme if it cannot fund a 40% increase in its contribution.

Even if LCC claims that its present costings are nevertheless accurate, the government has still been deceived over the extent of savings delivered by LCC as part of the CSR process, and questions are raised over whether the capped government contribution should not have been £5 million lower. Whatever the

case, it is surely not acceptable for a Supported Pool scheme to be subject to this degree of financial uncertainty at this stage.

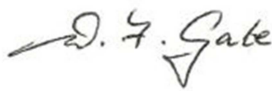
A lot more detailed information became publicly available for the first time as part of the IPC consultation. The new road is forecast to carry 20-30% less traffic than previously forecast, and the latest EIR warns of the possibility of a net negative local economic impact where once it was claimed that the road would create 6,000 jobs. These facts in turn contribute to numerous doubts about the accuracy of current BCRs. We also have reason to believe that the IPC application will run into trouble, as LCC sought to restrict the consultation to scheme amendments, in direct contravention of IPC guidance: and it is even questionable whether the scheme can be regarded as a NSIP.

We therefore suggest that there is a compelling case for the Heysham-M6 Link to be transferred to the Development Pool, to allow a more appropriate timescale for these numerous uncertainties to be properly resolved.

Yours sincerely,



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**Friends of
the Earth**

HEYSHAM-M6 LINK ROAD

REQUEST FOR REVOCATION OF SUPPORTED POOL STATUS JULY 2011

SUPPORTING INFORMATION

1. IPC APPLICATION

LCC notified the intention to make an application to the IPC for a Development Consent Order for HM6L in March 2011, and the pre-application consultation period is under way, having begun on 1 June and with a deadline for consultation responses by 31 July. The documentation that triggered the current request for revocation of supported pool status was published on the LCC web site shortly after 1 June. Local action group TSLM is of the view that most of this information should have been available at the time of the BAFB, but was informed that it was not yet ready. This alone calls into question the reliability of the BAFB, as detail fundamental to the assertions in the BAFB, in particular on cost savings, had not been sufficiently worked out at the time of submission.

2. PLANNING STATUS

a) BAFB Section 3.3:

An amended planning application will be necessary for the eastern end of the scheme, for the remodelling of the Shefferlands roundabout area, and amended orders will be required for the realigned slip roads. Detailed discussions are already under way with the Planning Authority regarding these changes and it is proposed that the planning application will be submitted and the amended orders will be made by the end of April 2011.

The original scheme already has planning permission and the principles of the scheme have not changed. There is no requirement for additional land or changes to the CPO. On this basis it is not anticipated, or expected, that the amended planning application will be called in by the Secretary of State.

The original Orders Inquiry was due to take place in October 2010. This will be rescheduled and it is anticipated that it will be held in late summer 2011. Any objections arising from the amended Orders will be addressed at this Inquiry.

Should the planning decision be called in by the Secretary of State, the Inquiry will be undertaken as a conjoined Planning and Orders Inquiry. The County Council has started preparing for the Inquiry and has already appointed a QC.

b) LCC Statement of Community Consultation, undated, published by 21 May 2011: Opening section "About the SoCC". LCC also stated in the initial letter to IPC on 3 March that "we need to submit a new application for the Heysham M6 Link"

c) IPC meeting note 27/4/11 restates the application requirements, if anything more emphatically: "A new, full application needs to be submitted...The application would apply to the entirety of the scheme and not only to those elements that have been amended from the previous project"

3. RAISING SHEFFERLANDS ROUNDABOUT

a) The BAFB is strangely worded, describing the avoidance of off-site disposal of material as an “*Other positive benefit*”, when in fact it is the main source of cost savings for the Shefferlands revisions (and indeed a significant proportion of total scheme savings). This is made clear in the LCC officer report to the Council Leader for a decision on submission of the BAFB, dated 4 January:

“The main savings are generated by reducing the amount of excavation for the scheme (which would have required off site disposal)”

b) The confirmation at consultation exhibitions was to David Gate of TSLM, by Steve Halsall of LCC and confirmed by Steven McCreesh (LCC Project manager), at the Torrisholme exhibition, that:

“The previous scheme had a cut & fill balance: fill from the East would be moved to the West, none would be exported from or imported to site. The revised scheme also has a cut and fill balance, but now less fill will be moved from East to West. In broad terms, the fill from Shefferlands roundabout cutting will now NOT be moved to form elaborate false drumlins in the West ... false drumlins will still be formed, but they've re-analysed it, and they don't need to be so big. The saving of £7.3 million was all about not transporting fill from one end of the site to the other.”

c) TSLM request for clarification of off-site disposal - question was by email from David Gate to Steven McCreesh, 31/1/11:

There are numerous inconsistencies and contradictions in the bid, but the issue that stands out immediately is the statement in section 2.3, first bullet, that lifting Shefferlands roundabout results in the "elimination of the requirement for off-site disposal of 410,000m³ material". This came as a complete surprise, because as you will know:

- *The Environmental Statement of December 2005, accompanying and supporting the planning application, stated that there was a balance of cut and fill and no excavated material would be disposed off site (ES 8.2.12: "The net outcome of the scheme is that there would be a significant excess amount of excavated material that would need to be moved within the site to obtain a cut fill balance. Accordingly it is anticipated that the vast majority of vehicular movements would be contained within the site boundaries, with **all the excavated material being reused** to form embankments, retained embankments, landscape mounds, bunds, false cuttings and to mitigate against adverse effects by regrading." (my emphasis).*
- *The planning permission is based on the above statement; indeed it would have been a significant planning issue had there been 410,000m³ to dispose off-site.*
- *We have an audit trail of scheme changes and their cost implications from the ES to the point of Programme Entry, and at no point was any mention made, or associated cost increases identified, in relation to a newly identified need to export material off site.*

*Coun Riches asked you this morning when the need for off-site disposal was identified, and the answer reported to us is that it happened some time after the contractor Costain was appointed, which was in April 2010 (Press 28 April 2010). This means that **the extra-over costs for off-site disposal were not in the scheme cost of £137.04 million at Programme Entry** in February 2009. Therefore, the savings now claimed to be largely due to the elimination of disposal off site of 410,000m³ of material, accounting for the bulk of the £7.3m saving through the raising of Shefferlands roundabout, were not savings on the PE cost which is the baseline for calculating the revised scheme cost in the BAFB.*

d) Figures verifying the extent of savings that would have been attributable to elimination of off-site disposal of excavated material:

DfT supplied the detailed scheme costings at November 2008, which were the basis of the Quantified Cost Estimate at Programme Entry in February 2009. These were provided on 16/2/11 in response to a FOI request dated 3/2/11 by Earthrights Solicitors on behalf of TSLM (it was this FOI request that established how little other basic information was available at the time of the supported pool status confirmation). The costings included unit rates for construction operations, which had not been available in any previous cost summaries.

These costings establish that the cost for disposal off site of excavated material was at least £15.30 per m³ (more for disposal of various grades of unsuitable material), compared with £2.80 per m³ for reuse on site as landscape mounding. The difference is £12.50 per m³, which applied to 410,000m³ of material would make a difference of £5,125,000 in the respective costs. This tallies with the officer report statement in 3a) above, that elimination of off-site disposal accounted for the bulk of the savings.

It is also clear from the costings that no disposal of material off site was envisaged, as the quantities against the unit rates are zero for all such items. **This also clarifies beyond doubt that the costs in the QCE did not include anything for off-site disposal.**

4. NEW TRAFFIC FORECASTS

Comparison of opening year 2015 flows (provided as part of the IPC consultation) with opening year 2010 flows in the MSBC. Flow reductions vary somewhat on different links of the new road, hence the range quoted in the letter above. An accurate like-for-like comparison of flows in 2015 for both forecasts would show still greater reductions due to forecast traffic growth between 2010 and 2015 in the MSBC scenario.

5. ECONOMIC IMPACT REPORT 2010

The 2010 EIR forecasts that

“After accounting for the jobs expected to be generated across the sites in the ‘Do Minimum’ scenario, Table 6.7 shows that 898 net additional jobs are expected to be generated under the ‘Best Estimate’ scenario and 1,125 net additional jobs are expected in the ‘High’ scenario” (EIR 6.2).

The report then goes on to say that

“A number of questions are to be considered in relation to the possibility of the proposed transport scheme reducing employment in the regeneration area by exposing it to competition from outside that it cannot withstand. This is known as the ‘two-way’ road effect... Table 18 in Appendix C estimates that 1,095 residents will lose jobs as a result of this impact.” (EIR 6.6).

In other words, an overall loss of 197 jobs in the area is forecast in the best estimate scenario, with at best an increase of 30 jobs in the ‘high’ scenario.

It is difficult to reconcile this conclusion with the hundreds of millions of pounds added to the PVB in VfM assessments for ‘Wider Impact’ (WI). These are supposedly the economic impacts for an area that might

not be captured by user benefit analysis, and are the major element in the uprating of the BCR for HM6L from an unadjusted 5.6, initially to 7.3 and now 9.4. The employment forecasts in the EIR indicate a possible draining away, or at best flatlining, of economic activity in the regeneration area, which is scarcely compatible with the £172.6 million increase in PVB (25% hike) attributed to WIs in the August 2010 CSR bid (PVB figures are not available for the assessment in the DfT update of Feb 2011, but with the BCR increase from 7.3 to 9.4 the figure is almost certainly higher still).

6. BENEFIT COST RATIOS

There is much to question in the BCRs currently quoted for HM6L. Most of the questions were raised in a report by TSLM in December 2010 forwarded to DfT in January 2011, which officers reportedly “did not have time to read”. The central criticism was – and remains – that PVC figures are implausibly low: as scheme costs have gone up the PVC has gone down, without a scheme development stage being reached at which a lower optimism bias allowance would be applied.

The central conclusion of the TSLM report was that a BCR of 4 was more plausible than the 5.6 calculated in August 2010, without challenging any of the underlying assumptions of the economic assessments which, if challenged, could pull the BCR down much further. One crucial assumption has already proved unfounded, as traffic volumes and growth have turned out to be well below the assumptions in the MSBC: in spite of which, the latest traffic forecasts released with the IPC consultation still assume significant growth.

The IPC consultation documentation includes a ‘Forecasting and Economics Report’ dated February 2011 by Mouchel. This is a confusing document, as it largely repackages the August 2010 economic appraisal to explain the headline (unadjusted) BCR of 5.6 with PVB of £694m, PVC £124m, NPV £570m. The PVC is some £13m below the then scheme cost, which is inconsistent with previous calculations of PVC at earlier stages (see TSLM 12/10). This appraisal has at least two major problems:

- It was already out of date by 2/11 as the revised HM6L proposals were already in place with a purportedly lower cost.
- Along the way it recommends using optimism bias of 30% in calculating PVC, as a mid-point between 44% at programme Entry and 15% at Conditional Approval. It then gives costs with 30% optimism bias discounted to 2002 prices (tables 9.10-9.12) which point to a PVC of well over £150m: but then uses the 2010 PVC of £124m in its assessment summary Table 9.15.

The DfT document, *‘Investment in Local Major Transport Schemes: Update’* (February 2011) summarises confirmed Supported Pool projects in Annex A, Table 2. For HM6L, this gives a BCR of 9.4 and a NPV of £1,567 million. It is very difficult to reconcile these figures with any previous economic assessments; in part literally in that the goalposts have been moved by presenting the NPV at 2010 prices (it is unclear whether the BCR is also at 2010 prices rather than the standard discounting to 2002 prices): but in part because they appear impossibly high compared with figures only a few months previously.

- The ‘adjusted’ NPV in August 2010 was £780m (probably at 2002 prices), so we are being asked to believe that the NPV could almost double in a few months, which is well beyond the effect of changing the price year
- A NPV of £1,567m clearly requires a still higher PVB, which could not give a BCR in the vicinity of 9.4 with the low PVCs still being quoted in the Mouchel report in 2/11. Again this does not appear to be an anomaly that can be explained away by different pricing years.